

Message Text

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ACTION EUR-08

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C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 17290

LIMDIS

USEEC

DEPT PASS STR ELECTRONICALLY FOR AMBASSADOR STRAUSS
GENEVA FOR MTN AMBASSADOR MCDONALD

E.O. 11652: GDS
TAGS: EAGR, EEC, ETRD, MTN
SUBJECT: GUNDELACH ON COUNTERVAILING WAIVER

1. SUMMARY: COMMISSION VICE PRESIDENT GUNDELACH HAD
ASKED TO SEE ME AS SOON AS POSSIBLE AFTER MY RETURN FROM
THE US SO I CALLED ON HIM SEP 12. HE TALKED ABOUT THE
"INTOLERABLE SITUATION" CREATED BY THE NEWS THAT WE
PROBABLY WOULD NOT BE ABLE TO EXTEND THE COUNTERVAILING
WAIVER, GAVE ME A LETTER WITH A BRIEF ORAL COMMENT CON-
CERNING SUGAR AND TOMATO CONCENTRATE, AND EXPLAINED HIS
VIEW OF THE MANIOC PROBLEM IN RESPONSE TO MY EXPRESSION
OF CONCERN ABOUT WHAT MIGHT BE COMING ON FEED GRAIN SUB-
STITUTES. END SUMMARY.

2. GUNDELACH BEGAN BY REMARKING THAT OUR CHIEF NEGOTIATOR
HAD REPEATEDLY PLACED PERSONAL RESPONSIBILITY ON HIM,
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GUNDELACH, FOR WORKING OUT THE MANY DIFFICULT AGRICULTURAL
MTN ISSUES. THAT WAS FAIR ENOUGH. HE HAD UNDERTAKEN TO
DO A NUMBER OF THINGS AND THE PROCESS HAD BEEN WELL
LAUNCHED AT THE JULY AGRICULTURAL MINISTERS MEETING AND
WHILE THE FRENCH AND ITALIAN MINISTERS HAD BOTH WARNED
HIM THAT HE WAS ON THIN ICE, HE HAD HAD THE POLITICAL
SUPPORT OF THE OTHER MINISTERS. HE RECALLED THAT STRAUSS

HAD TOLD HIM DURING THE JULY SESSIONS IN GENEVA THAT EVEN IF HE, GUNDELACH, COULD DELIVER EVERYTHING THEY WERE TALKING OF, HE STRAUSS, COULD NOT GUARANTEE THAT THE CONGRESS WOULD EXTEND THE WAIVER OR ACCEPT THE SUBSIDIES-COUNTERVAIL CODE. THAT WAS UNDERSTOOD BUT STRAUSS LETTER IN AUGUST CONTAINING A PESSIMISTIC ASSESSMENT AND THE NEWS THAT WAS NOW REACHING MEMBER STATE CAPITALS WAS SOMETHING ELSE AGAIN. HE HAD TO SAY THAT HE THOUGHT THIS SITUATION ENDANGERED THE ENTIRE MTN. HE HAD DISCUSSED IT WITH THE GERMAN CHAIRMAN OF THE AGRICULTURAL COUNCIL AND THEY WERE AGREED THAT THEY COULD NOT AND SHOULD NOT EVEN TRY TO MOVE AHEAD IN THESE CIRCUMSTANCES AT THE SEPTEMBER AGRICULTURAL COUNCIL MEETING. AT BEST IT WAS A DIFFICULT UNDERTAKING AND IF WE HAD CONCLUDED THAT THERE WAS NO WAY TO AVOID COUNTERVAILING EARLY NEXT YEAR, THE SITUATION WAS INTOLERABLE. HAFERKAMP DID NOT FULLY SHARE HIS VIEW BUT IN HIS, GUNDELACH'S, JUDGMENT, HAFERKAMP WOULD DISCOVER FROM THE MEMBER COUNTRIES THAT PROGRESS ON INDUSTRY WAS EQUALLY HOPELESS IN SUCH CIRCUMSTANCES. SOME GERMANS WERE TALKING ABOUT A POSSIBILITY THAT EVEN IF COUNTERVAILING WENT FORWARD, THE DUTIES COULD BE RETROACTIVELY REFUNDED IF A SETTLEMENT WERE REACHED AND APPROVED BY CONGRESS. HE, GUNDELACH, WAS NOT ATTRACTED TO THIS IDEA AND DID NOT THINK IT WOULD MEET THE POLITICAL IMPERATIVES AS VIEWED FROM EUROPE.

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3. HE HAD THOUGHT ABOUT RESPONDING TO THE STRAUSS LETTER IN WRITING BUT HAD CONCLUDED THAT IT WAS BETTER TO SAY THESE HARD THINGS ORALLY.

4. I TOLD HIM THAT AS HE KNEW I HAD JUST BEEN IN WASHINGTON, THAT PROSPECTS IN CONGRESS WERE INDEED AS STRAUSS HAD INFORMED HIM, AND THAT I KNEW OF NO BETTER JUDGE OF THE POLITICAL CLIMATE THAN STRAUSS HIMSELF. HE AGREED. I WENT ON THAT HE, GUNDELACH, HAD NOW GIVEN US AN EQUALLY PESSIMISTIC READING OF THE EUROPEAN POLITICAL POSSIBILITIES. IN MY JUDGMENT, SINCE WE SHARED THE SAME GOALS, WE WOULD HAVE TO FIND A WAY OUT. HE AGREED AND SAID THAT WAS A TOP PRIORITY PROBLEM FOR US ALL BUT NEITHER HE NOR I ADVANCED ANY IDEAS ABOUT A WAY OUT. I DID NOTE THAT HE WOULD BE MEETING WITH AL MCDONALD ON SEPTEMBER 21 AND IT WAS IMPLICIT, I GUESS, THAT A PLAN FOR HANDLING THIS SITUATION SHOULD BE SOUGHT THEN, IF NOT BEFORE.

5. COMMENT: GUNDELACH, WHO CAN BE HIGHLY EMOTIONAL, WAS CALM AND MATTER OF FACT. HE WAS NOT CRITICIZING ANYONE; HE WAS STATING THE CONCLUSIONS HE WAS DRAWING FROM THE SITUATION. WHEREAS ROY DENMAN PRIOR TO MY WASHINGTON

VISIT HAD TOLD ME WE COULD NOT EXPECT AGRICULTURAL MINISTERS TO REACH THE CONCLUSIONS WE WERE SEEKING WITH THE COUNTERVAILING THREAT HANGING OVER THEIR HEADS, GUNDELACH HAS GONE ONE STEP FURTHER. HE HAS EXPLICITLY SAID HE WILL NOT CONTINUE TO TRY TO OBTAIN THE RESULTS WE NEED IN THESE CIRCUMSTANCES.

6. GUNDELACH SAID ON A LESSER MATTER HE WAS WRITING TO STRAUSS (SEE TEXT SEPTTEL). HE HAD BEEN WARNED IN ADVANCE ABOUT THE SUGAR PROBLEM AND HAD ACCEPTED OUR COUNTERVAILING ON WHAT WAS IN ANY CASE AN ANOMALOUS TRADE SITUATION. HE WAS DISTURBED, HOWEVER, THAT WE MIGHT BE MOVING TO COUNTERVAIL ON TOMATO CONCENTRATE. HIS NEW APPROACH TO AGRICULTURE, THE SO-CALLED MEDITERRANEAN AGRICULTURAL CONFIDENTIAL

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C O N F I D E N T I A L SECTION 02 OF 02 BRUSSELS 17290

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POLICY, DID PROVIDE FOR DOMESTIC SUBSIDIES, BUT SURELY
WE RECOGNIZED THAT THE VEHICLE FOR MOVING ON WHAT WE NEEDED

FOR THE MTN IN AGRICULTURE WAS FURTHER DEVELOPMENT OF THE COMMUNITY MEDITERRANEAN POLICY. A U.S. MOVE TO CHALLENGE THIS POLICY WOULD BE DANGEROUS AND HE HOPED THAT WE WOULD NOT ACT. HE AGREED, IN RESPONSE TO MY BRIEF COMMENT THAT WE HAD A LEGAL OBLIGATION TO CONDUCT THE INQUIRY WHEN A COMPLAINT HAD BEEN MADE.

7. I THEN SAID THAT HE HAD EXPRESSED HIS CONCERNS AND THAT I WANTED TO TELL HIM THAT WE HAD CONCERNS ABOUT RUMORS REACHING US CONCERNING POSSIBLE RESTRICTIVE COMMUNITY ACTION ON FEED GRAIN SUBSTITUTES. I ASKED HIM IF HE COULD ENLIGHTEN ME CONCERNING THE REAL SITUATION.

8. GUNDELACH SAID THAT HE WAS PREPARING YET ANOTHER TOUGH ANALYSIS OF THE DAIRY SITUATION AND WOULD BE PUTTING PRO-CONFIDENTIAL

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POSALS TO THE COUNCIL FOR FURTHER MEASURES AIMED AT REDUCING THE DAIRY AND MEAT SURPLUSES. IT WAS CLEAR FROM THE ANALYSIS THAT PART OF THE PROBLEM WAS LOW PRICED FEED IMPORTS AND THE MAJOR PRODUCT ABOUT WHICH HE WAS CONCERNED WAS MANIOC. WHILE HE STILL HAD AN INTERNAL ARGUMENT IN THE COMMISSION WITH HAFERKAMP, HE WOULD PROPOSE TO NEGOTIATE A SELF-RESTRAINT AGREEMENT WITH THAILAND TO HOLD THEIR EXPORTS AT THE 1977 LEVEL AND HE WOULD PROPOSE THE DE-CONSOLIDATION OF THE GATT TARIFF FINDINGS ON MANIOC AND TAPIOCA. I SAID WE HAD ALSO HAD PERSISTENT REPORTS THAT THE COMMISSION WOULD RAISE LEVIES ON WHEAT BRAN AND OTHER SUBSTITUTES, TO WHICH GUNDELACH REPLIED THAT THE COMMISSION STAFF STUDIED MANY THINGS BUT SUCH PROPOSALS HAD NOT REACHED HIM AND HE WOULD DISCUSS THE SITUATION WITH US BEFORE TAKING ANY SUCH ACTION. HINTON

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